

PUBLIC DISCLOSURE

SEPTEMBER 27, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

GLOUCESTER FIRE DEPARTMENT CREDIT UNION

8 SCHOOL STREET
GLOUCESTER, MA 01930

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

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| <p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p> |
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **GLOUCESTER FIRE DEPARTMENT CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Outstanding"

Gloucester Fire Department Credit Union has exhibited a better than average loan to share ratio, as well as a strong willingness to lend to low and moderate income individuals within its membership.

The loan to share ratio analysis indicated an average ratio of 85.0 percent over the prior two years. The ratio has increased over this time period from a low of 75.7 percent in June 1998 to a high of 94.2 percent in June 1999. Given the credit union's asset size, its competition, and the credit needs of its membership, the loan to share ratio is considered to exceed the standards for satisfactory performance.

An analysis of loans extended by income of borrowers indicated that an overwhelming majority (92.5 percent) of the total loans originated for the time period covered, were extended to low- and moderate- income individuals.

Finally, there were no complaints received by the credit union pertaining to its CRA performance. Although the credit union has not adopted a formal fair lending policy, there were no policies or activities observed which could be construed as discriminatory or illegal credit practices.

PERFORMANCE CONTEXT

Description of Institution

Gloucester Fire Department Credit Union is a state-chartered credit union, which was established in 1938 to serve the credit needs of its membership.

Gloucester Fire Department Credit Union is located at 8 School Street, Gloucester, Massachusetts. The credit union provides limited deposit and loan services to its membership. Deposits are limited to regular shares.

As of June 30, 1999, the credit union had total assets of \$359,227. Loans comprised 72.8 percent of the institution's total assets. At the previous examination, loans comprised 53.5 percent of the credit union's total assets.

The largest portion of the loan portfolio is composed of unsecured loans. These loans represent 60.4 percent of the total loan portfolio. Refer to the following table for additional information on the breakdown of loans.

| LOAN TYPE | AMOUNT \$ | PERCENT |
|--------------------|----------------|--------------|
| Unsecured | 158,162 | 60.4 |
| Used Vehicle | 77,897 | 29.8 |
| New Vehicle | 20,886 | 8.0 |
| Other loans | 4,617 | 1.8 |
| GROSS LOANS | 261,562 | 100.0 |

Source: NCUA Call Report June 30, 1999

The credit union has flexible hours, which appear convenient and accessible to members.

Gloucester Fire Department Credit Union was last examined for compliance with the Community Reinvestment Act by the Division of Banks on July 19, 1996. That examination resulted in an overall rating of "Outstanding".

Description of Assessment Area

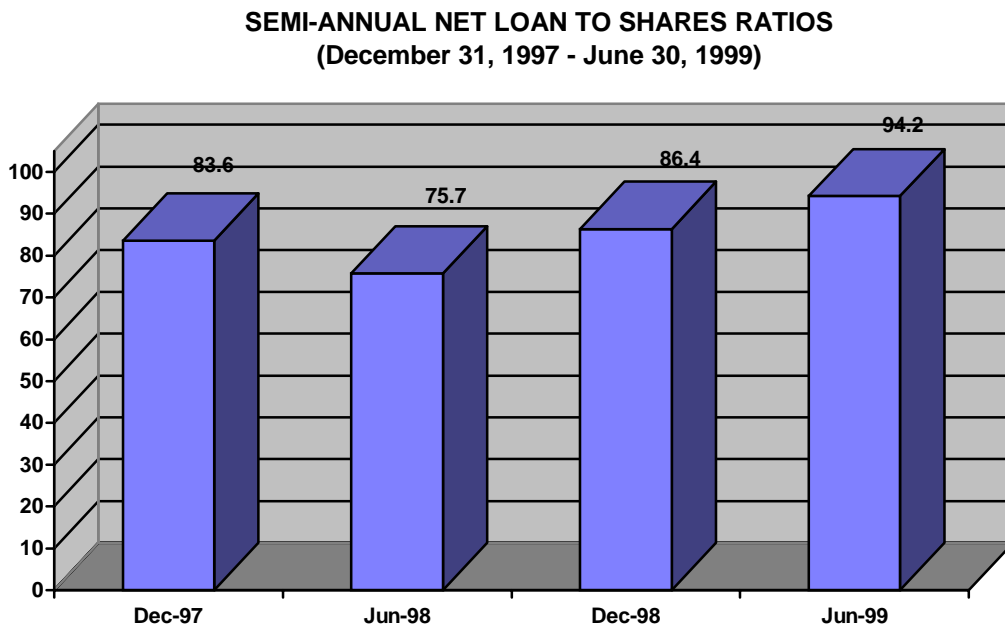
Gloucester Fire Department Credit Union defines its assessment area as its membership, in accordance with the revised Massachusetts CRA Regulation, 209 CMR 46.41(8), which states "Notwithstanding the requirements of this section, a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area.

Gloucester Fire Department Credit Union's by-laws limit membership in the credit union to employees of the Gloucester Fire Department, including the fire alarm men, their immediate families, and organizations of such employees. As of the date of this examination, Gloucester Fire Department Credit Union has approximately 113 members.

PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

An analysis of the credit union's net loan-to-share ratio was performed during the examination. The analysis utilized the NCUA semi-annual Call Report data for the institution for the period December 1997 to June 1999. The institution's average net loan-to-share ratio for this period was 85.0 percent. This ratio is based on total loans net of unearned income and net of allowance for loan and lease losses (ALLL) as a percentage of total shares. The following chart indicates a sustained pattern of growth during this time period, from a low of 75.7 percent for the period ending June 30, 1998, to a high of 94.2 percent for the period ending June 30, 1999.



A comparison of the net loan-to-share ratio of four other credit unions of similar type and size was also conducted. These other institutions' net loan-to-share ratios ranged from 27.3 percent to 73.8 percent for June 30, 1999.

The following table provides the net loan-to-share ratio for the other similar type credit unions. The ratios shown are calculated from the NCUA's Call Report data for June 1999.

COMPARATIVE NET LOAN-TO-SHARE RATIO ANALYSIS

| CREDIT UNION | ASSET \$ | NET LOAN TO SHARE RATIO |
|--------------|----------|-------------------------|
|--------------|----------|-------------------------|

| | | |
|-----------------------------------|----------------|-------------|
| Gloucester Fire Department | 359,227 | 94.2 |
| Steinerfilm Employees | 450,764 | 73.8 |
| Asna Comet | 457,631 | 59.3 |
| Essex Agricultural | 450,925 | 55.9 |
| Westford Municipal | 405,803 | 27.3 |

As of June 30, 1999

Based upon the credit union's capacity to lend, the types of loans available at the credit union, the capacity of other similarly situated credit unions to lend to their members, and the lending opportunities available to its membership, the credit union's net loan-to-share ratio exceeds the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Under the CRA Regulation, a credit union whose membership by-law provisions are not based on residence, such as the Gloucester Fire Department Credit Union, may define its membership as its assessment area. Because a membership defined assessment area does not consider any fixed limits on geography, an analysis involving credit extended inside a particular defined geographic area compared to credit extended outside of a particular geographic area is not meaningful.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of loans originated among borrowers of various income levels was also conducted during the examination. Originations were categorized by the ratio of the applicant's reported income to the 1998 and 1999 median family incomes of the Boston Metropolitan Statistical Area (MSA). The median incomes for the Boston MSA were \$60,000 and 62,700 respectively. Income figures were based on estimated 1998 and 1999 data from the department of Housing and Urban Development (HUD).

Low- income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate -income is defined as 50 to 79 percent of the median family income; middle- income is defined as income between 80 and 119 percent of the median family income; and upper- income is defined as income greater than 120 percent of the median family income.

A sample of 40 consumer loan originations was reviewed during this examination in order to determine the institution's lending to borrowers of different incomes.

The analysis revealed that 92.5% of loans originated by the credit union were to borrowers with low and moderate-income, followed by loans to middle-income borrowers with 5.0 percent, and loans to upper-income borrowers with 2.5 percent. Refer to the following table.

LOAN ORIGINATIONS BY INCOME OF BORROWER

| % OF MEDIAN MSA INCOME | 1998 | | 1999* | | TOTAL | |
|------------------------------|-----------|--------------|-----------|--------------|-----------|--------------|
| | # | % | # | % | # | % |
| <50% | 1 | 4.5 | 0 | 0.0 | 1 | 2.5 |
| 50% - 79% | 20 | 91.0 | 16 | 88.8 | 36 | 90.0 |
| 80% - 79% | 1 | 4.5 | 1 | 5.6 | 2 | 5.0 |
| 120% > | 0 | 0 | 1 | 5.6 | 1 | 2.5 |
| TOTAL | 22 | 100.0 | 18 | 100.0 | 40 | 100.0 |

Source: Loan File Data

*Year to date June 30, 1999

This distribution of lending demonstrates the credit union's strong willingness to lend to borrowers of all income levels, including those of low and moderate-income. It should be noted that all of the consumer loans reviewed used single incomes for qualifying purposes.

The distribution of credit among different income levels exceeds the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

According to the CRA regulations, an institution shall delineate one or more assessment areas within which the institution will serve to meet the credit needs of its community and by which the Division will evaluate the institution's CRA performance. A credit union whose membership by-laws provisions are not based on residence is permitted to delineate its membership as the assessment area. Gloucester Fire Department Credit Union has defined its assessment area as its membership, as opposed to a geographic area; thus, an evaluation of credit extended by census tract was not conducted, as such an analysis would not be meaningful.

5. REVIEW OF COMPLAINTS

A thorough review of the public comment file revealed that the credit union received no complaints pertaining to its CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

Gloucester Fire Department Credit Union does not have a formal Fair Lending policy. The following describes the credit union's fair lending performance as it relates to the guidelines established by the Division of Banks Regulatory Bulletin 2.3-101.

STAFF TRAINING

Because of its small size and limited staff, implementing a formal staff training program would be difficult.

STAFF COMPOSITION AND COMPENSATION

The credit union's staff consists of one full time employee who is paid on a salary basis.

OUTREACH

Outreach efforts are limited due to the size and resources of the credit union.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

Gloucester Fire Department Credit Union offers a limited range of credit products to qualified members. The credit products include new and used automobile loans as well as personal secured and unsecured loans. The credit union does not offer mortgage loans.

MARKETING

The credit union markets its products to its members through an annual newsletter and quarterly statements. This effort appears to adequately inform all segments of its membership of available credit services.

CREDIT EDUCATION

As a small credit union, resources are not available to sponsor in-house credit education.

COUNSELLING

The credit union's Manager and Treasurer is responsible for notifying borrowers concerning past due accounts.

SECOND REVIEW PRACTICES

The credit union's Manager is responsible for the approvals and denials of all loan applications. However, if a loan application is denied, the full credit committee will review it.

There were no policies or procedures observed during the course of the examination which could be construed as discriminatory. Based upon the review of the credit union's public comment file and its performance relative to fair lending policies and practices the institution meets the standards for satisfactory performance.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

GLOUCESTER FIRE DEPARTMENT CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **SEPTEMBER 27, 1999**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.